

FISCAL NOTE

Bill #: HB0570

Title: Revise and clarify state employee holiday pay

Primary Sponsor: Kaufmann, C

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
General Fund	\$224,047	\$224,047
State Special Revenue	\$183,008	\$183,008
Federal Special Revenue	\$83,186	\$83,186
Other	\$64,330	\$64,330
Revenue:		
General Fund	\$0	\$0
State Special Revenue	\$0	\$0
Federal Special Revenue	\$0	\$0
Other	\$0	\$0
Net Impact on General Fund Balance:	(\$224,047)	(\$224,047)

<input checked="" type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input checked="" type="checkbox"/> Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Administration

1. The State of Montana currently recognizes ten state holidays in a non-election year and eleven holidays in an election year. For an employee working a normal 8-hour day, Monday through Friday schedule, this equates to 80 hours of paid holiday benefits in a non-election year and 88 hours an election year.
2. A full-time state employee who works an alternate work schedule, or more than eight hours a day, will at times be scheduled for a regular day off on a day that is observed as a legal holiday, excluding Sundays. Current administrative regulations governing state employee holiday pay entitlements define holiday benefits as "pay at the regular rate up to eight hours or equivalent paid time off up to eight hours paid to an eligible employee when the state observes a legal state holiday" (See Vol. 43 Op. Att'y Gen. No. 14). The 8-hour limitation is extended to employees working four 10-hour days per week (Sec. 2.21.619(4), ARM). "If the employee [working 10-hour days] would receive less pay than usual during a pay period

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which includes a holiday, at the agency's discretion the employee could work additional hours in the same pay period, or could take annual leave or accrued compensatory time to make up the difference" (Sec. 2.21.641(1)(b), ARM). It is generally held that "employees regularly working four 10-hour days per week are entitled to eight hours' pay under section 2-18-603, MCA, for all non-worked holidays." This equates to the same total paid holiday benefit hours that a normally scheduled employee working eight hours per day, five days per week, would receive annually. Similarly, full-time employees working 12-hour shifts in one day are limited to eight hours holiday pay for a non-worked holiday.

3. Under HB 570, a full-time state employee who regularly works either an alternative schedule or more than eight hours per day receives paid holiday benefits on a prorated basis according to the number of hours the employee is regularly scheduled to work. This fiscal note assumes that the calculation to prorate paid holiday benefits is determined using the total number of hours per week an employee is scheduled to work divided by the number of days in a week an employee is regularly scheduled to work. HB 570 does not stipulate that for purposes of calculating paid holiday benefits, a work week consists of five, 8-hour days. Assuming an employee's regular work schedule is four 10-hour days, their prorated holiday pay per day would be calculated as forty hours per week divided by four work days, which results in 10-hours of paid holiday benefit in any week containing a holiday. The paid holiday benefit for an employee who works three 12-hour shifts and one 4-hour shift in a week could be calculated as forty hours per week divided by 3 ½ work days, or 11.43 hours; or it could also be interpreted to provide 12-hours of benefit for a non-worked holiday when this day coincides with a regularly scheduled 12-hour day. When a holiday falls on this employee's regularly scheduled day off he is entitled to take a different day off, typically within the same pay period, and receive the prorated share of paid hours off for that day. For purposes of this fiscal note, it is assumed that all of the State of Montana's alternate full-time work schedules consist of four consecutive 10-hour days in a work week. Though other work schedules do exist, it was not possible given the time constraints for response, to compile data on the number of individuals with alternate work schedules other than a four day/10-hour schedule. According to survey responses, it appeared that the number of non-four day/10-hour schedules was minor compared to the number of four day/10-hour alternative work schedules. The scenario assumed in this fiscal note provides that an employee scheduled to work four 10-hour days would receive two additional paid-holiday hours for each holiday, above the eight hours allowed for an employee working a normal five day, 8-hour day schedule.
4. A survey of state agencies provided 6,553 responses regarding the work schedules of their full-time employees and indicated that, of these responses 773, or approximately 11.8 percent, represented employees working an alternate work schedule or more than eight hours per day. When extrapolated to the entire population of state employees, which total 11,985, this would equate to 1,414 employees receiving an additional two hours of paid holiday benefits times the ten holidays per year (based on our assumption in item 3 that a four day/10-hour schedule is the only alternate schedule available to state employees). Assuming an average salary, including benefits) of \$19.61 per hour, the total additional cost in paid holiday benefits would come to \$554,571 annually. This fiscal note assumes no changes in the average salary rate for state employees through time.
5. Funding sources for purposes of this fiscal note are assumed to be distributed as follows:

General fund	40.4%
State Special Revenue fund	33.0%
Federal Special Revenue fund	15.0%
Other funds	11.6%.

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FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Personal Services	\$554,571	\$554,571
<u>Funding of Expenditures:</u>		
General Fund (01)	\$224,047	\$224,047
State Special Revenue (02)	183,008	183,008
Federal Special Revenue (03)	83,186	83,186
Other	<u>64,330</u>	<u>64,330</u>
TOTAL	\$554,571	\$554,571

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$224,047)	(\$224,047)
State Special Revenue (02)	(\$183,008)	(\$183,008)
Federal Special Revenue (03)	(\$83,186)	(\$83,186)
Other	(\$64,330)	(\$64,330)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Counties, school districts, or other municipal governments may look to the State of Montana for interpretations on how to compute paid holiday benefits for employees who regularly work either an alternative schedule or more than eight hours a day. If it is interpreted that holiday pay is prorated according to the number of hours the employee is regularly scheduled to work per day, these governments may have discrepancies between how holiday pay is calculated for individuals employed for the same number of regular hours per week. Individuals regularly scheduled to work a 10 or 12-hour day may receive that same number of hours in paid holiday benefits, as opposed to someone working a regular 8-hour, 5-day week whose entitlement is limited to eight hours' pay for all non-worked holidays.

TECHNICAL NOTES:

1. In absence of any clarification that a paid holiday benefit for a full-time employee is equal to eight hours of regular pay, or that one work day, for purposes of computing prorated holiday pay, consists of eight hours, there is the possibility of discrepancies in the calculation of prorated holiday pay between employees with differing work schedules. In Vol. 43 Op. Att'y Gen. No. 14, it is stated that "nothing in either section 2-18-603, MCA, or related annual and sick leave provisions suggests that, as to full-time employees, the particular method of workday scheduling should alter their leave entitlements or create arbitrary entitlement distinctions between individuals employed for the same number of regular hours per week."